



## CITY OF MORGAN HILL

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17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

### MORGAN HILL

### FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center  
Administration Conference Room  
17555 Peak Avenue  
Morgan Hill, California

Chair  
Committee Member  
City Treasurer  
Staff: Finance Director  
Assistant Finance Director:

Larry Carr  
Steve Tate  
Mike Roorda  
Jack Dilles  
Tina Reza

### REGULAR MEETING

Wednesday, January 16, 2002

### MINUTES

5:30 P.M.

### CALL TO ORDER

Chair Carr & Commission Members Tate & Roorda; *Staff:* Dilles and Thai

### DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

### PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

### BUSINESS:

1. **Approval of minutes for November 28, 2001.**  
*The minutes for November 28, 2001 were approved.*

**2. Annual Audit reports & Discussion with Independent Auditor Caporicci, Cropper & Larson, LLP**

*Staff introduced Mark McGeady from Caporicci, Cropper & Larson, the City's independent auditor. Staff and Mr. McGeady provided an overview regarding the various audit reports and audit opinions issued by the audit firm for the fiscal year ended June 30, 2001. These reports included: the City's financial statements included within the City's Comprehensive Annual Financial Report (CAFR), Redevelopment Agency Financial Statements, and Single Audit of all federal dollars received by the City. All opinions issued by the auditor were "clean" opinions. In addition, the Single Audit opinions indicated that the City was in compliance with federal requirements and indicated that there were no audit findings. The Redevelopment Agency opinion indicated that the Agency was in compliance with State law.*

**3. Management Letter Recommendations by Independent Auditor**

*Staff and Mr. McGeady discussed the three management recommendations made by the auditor in their report entitled "Recommendations to Management for the year ended June 30, 2001" with the Committee. The first recommendation concerned the "overpayment of invoices." Staff indicated that: 1) procedures have been implemented to confirm that the amount requested to be paid on invoices approved by departments be checked against all of the supporting details to each invoice, including review by a second staff person, prior to payment; and 2) procedures have been implemented to reduce the risk that a bill will be paid twice, by entering invoice numbers on the system and by paying only on original invoices.*

*The second recommendation concerned "cash receipts in the Planning Department" and the security over these receipts in light of recent changes associated with the Finance Department's move to a location further away from the Community Development Department. Staff indicated that staff shared the auditor's concern and would address the auditor's recommendation to install a cash register in the Community Development Department after arranging for a meeting between the Finance and Community Development Departments, so that the most practical solution could be identified. Staff plans to return to the Committee at the next meeting with a solution to this issue.*

*The third recommendation related to the implementation of "Statement No. 34 of the Governmental Accounting Standards Board (GASB 34)." Staff indicated that the Finance Department's work plan for 2001/02 includes the production of a plan to meet the GASB 34 requirements. Most of the requirements take effect for Morgan Hill for the 2002/03 fiscal year and need to be included in the financial statements prepared at the end of that year, or at June 30, 2003. In addition, the City is required within 4 years after that date to implement certain infrastructure reporting requirements that include reporting the value of streets, pipes, and other infrastructure in the financial statements. Mr. McGeady explained that this will be a major revision in the presentation of the financial statements and will require a lot of planning.*

*Finally, Mr. McGeady indicated that the prior year's management recommendations had*

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*been implemented, except that GASB 34 implementation has not yet occurred.*

*The Committee approved implementing the recommendations of the auditor concerning overpayment of invoices and GASB 34, and directed staff to return with a plan to respond with the auditor's recommendation concerning cash receipts in the Community Development Department..*

**4. Financial and Investment Report for December 2001**

*This item was briefly discussed.*

**5. Future Agenda Items**

*None.*

**NOTICE**

**AMERICANS WITH DISABILITY ACT (ADA)**

The City of Morgan Hill complies with the Americans with Disability Act (ADA) and will provide reasonable accommodation to individuals with disabilities to ensure equal access to all facilities, programs and services offered by the City.

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